
Navy Comptroller

Volume XIV



Issue No. I—FY 2002

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Principal Deputy Assistant Secretary of the Navy
(Financial Management and Comptroller)
Gladys J. Commons

Editor: Agnes Crum, Naval Financial Management
Career Center

Streamlining Our Financial Management Reporting... By Leveraging Our Technology

by Ken Luper, Naval Construction Battalion Center, Port Hueneme, CA

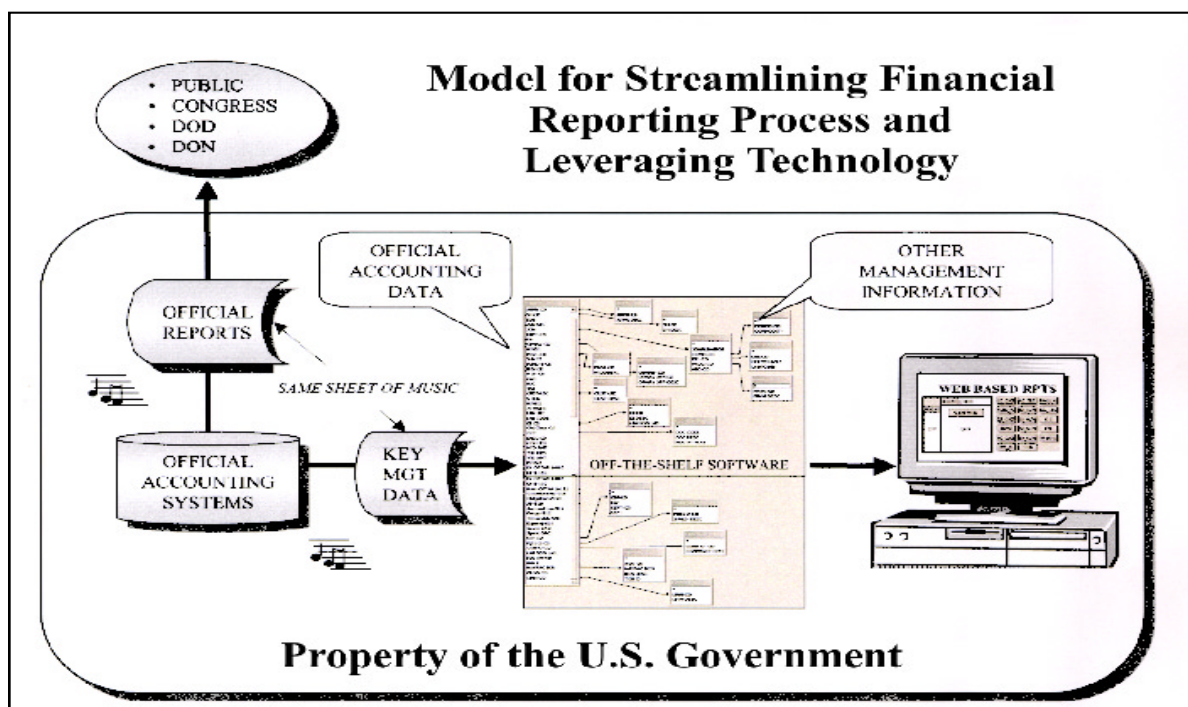
We need to conduct our business in a forthright, open, honest, and direct manner both with each other and the public. That is the guidance given by Gorden R. England, Secretary of Navy and reinforced by Charles Nemfakos our former top senior Navy civilian for financial management. According to both, we need to improve the internal business practices by applying new forms of advance technology, promoting innovation, streamlining our decision-making processes, and using modern tools we own and personnel we employ more effectively.



How do we do it? How do we improve our financial business practices? How do we promote innovation in the field of financial management? How do we use our modern tools more effectively to support financial management decision-making?

How? Start with streamlining our financial management reporting process: Leverage the technology we have! Extract key data from our official accounting system. Download it and merge it with local management information. After that, link the data to the Web for easy access.

I know this sounds a lot like one more management initiative that comes with an unspoken price tag. So let us discuss price. What is the cost? What do we have to buy? Nothing! We have a standard financial system. We have high-speed communication lines and file transfer protocol software. We also have personal computers, modems, and the commercial off-the-shelf software that is required to convert, format, store, and link data to our local intranet or extranet sites. That is all we need.



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There are, however, some things we need to know and do. We need to validate our assumptions about what management really does and how they spend their time, for as the role of management changes so must the business practices. We need to know what information is currently available in our official accounting system. We need to identify the informational needs of local management. There are, however, some things we need to know and do.

We then need to identify the *key information* required for streamlining our financial reporting process. Once that is accomplished, we need to develop a procedure with our friends at the Defense Finance and Accounting Service (DFAS) for extracting data on a routine bases. After that, and with some local training, the remaining tasks are fairly simple. We extract, download, merge, link and publish.

Then comes the fun part, analyzing the data and supporting the decision-making process of management. This step calls for a major paradigm shift: using four boxes and key data items rather than query languages and report writers. Sounds strange, but it works. Moreover, it is simple. The four boxes and corresponding data items are the key components in a Pivot Table, an EXCEL application included in our Office 97 software.

VALIDATE ASSUMPTIONS, DETERMINE REQUIRED ATTRIBUTES OF THE PROCESS:

According to Management 101, managers plan, organize, direct, and control. They manage programs, processes, functions, and resources. They assume authority, take charge and make rational decisions. They pursue goals that are both realistic and consistent. They deal with lots of people by establishing clear schedules and logically planned workdays.

Clearly, there is some truth to this, but there is more rhetoric than reality. Here is the reality, and I think you will agree. Their decisions for the most part are a product of a complex brokerage and negotiation process extending over time and involving large numbers of parties, both internal and external to the organization. They use their Palm Pilots and daily planner to deal with people, actions, and deadlines. But most of their time is spent making impromptu, sporadic, unplanned contacts; jumping from issue to issue and person to person. The first jump requires detailed information; the second, summary; and the third, both detail and summary.

Given our assumption is valid, what requirements must be addressed for streamlining our financial manage-

ment reporting? The data must be timely and accurate. It must be responsive to both internal and external requirements. It must be comprehensible to an array of users including technical staff, analysts and all levels of management. The process must allow for full financial visibility, for total enterprise reporting. The process must provide a way to easily "slice and dice" data on demand by any level within the organization, and by any data item such as Program, Appropriation, Customer, Overtime, Business Area, Sponsor, Function, or Output.

KNOW WHAT IS IN OUR STANDARD ACCOUNTING SYSTEM: Our official accounting systems contains a wealth of financial *management* information. Most people do not know this and, perhaps, have no need to know. But we do if we want to use our modern tools to improve financial decision-making. By knowing what is available in our standard system, we can effectively determine what additional data items are required for local management.

Most DoD standard accounting systems contain similar data. They contain fiduciary data such as appropriation, subhead, and other sub-elements. They contain fund authorization data for direct (mission) and reimbursable funds. They contain vital information about the customer. They contain encumbrance data including commitments, obligations and expenditures. They also contain job order data as well as hours and dollars.

STARS-FL, the Navy's accounting system for general funds contains data by type of cost and function such as expense element, object class, cost account code, cost category code, function, and sub-function. It also contains optional data relating to responsibility accounting such as program, command, department and division.

IDENTIFY UNIQUE REQUIREMENTS, STORE IN AN EXTERNAL DATA BASE: We are all unique, and so are our organizations. At one time being unique provided reasonable justification for requesting millions of dollars to develop our own information systems in order to respond to the informational needs of local management. Today, with our current technology, being unique provides us the opportunity to merge standard accounting data with local management requirements and satisfy the needs of management with little or no cost.

In most instances, being unique amounts to identifying 5-15 key data items not contained in the standard

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accounting system. The data items may be, for example, a Special Interest Item, Program, Task, and Work Order. They may be a CNO Sponsor, Deliverable, and Activity (for activity based costing). The data items may be special cost codes required by our command, sponsor, or customer. Or, they may simply be names and codes of individuals who are managing units of work. It does not matter.

What does matter, however, is that the unique data items be captured and stored in an external data base, and, that they be identified and linked to the appropriate code in the official accounting system. In most instances, that will be by the job order. But it does not have to be. It may be linked by the funding document, Unit Identification Code or some other code.

EXPECT, BUT OVERCOME RESISTANCE:

Most process improvement projects incur some form of resistance. We can expect it in the in the form of hidden agendas, a natural resistance to change, or a fear of the unknown. But the main reason for resistance is because most managers do not understand the capability of the technology that is currently available at their fingertips, and most information systems personnel do not understand what is available in standard DoD accounting systems. Moreover, there tends to be a greater interest in developing new systems rather than streamlining old business processes containing commercial off-the-shelf software that we already own. We can expect resistance, but we can overcome it by delivering a creditable and understandable product to top and middle management in a minimal amount of time and with little or no cost.

THE GREATEST CHALLENGES: The greatest challenges we face in leveraging technology and making improvement in financial management reporting are

- (1) Limiting the number of data items to the vital few
- (2) Ensuring that users know what they have and how to use it.

We need to satisfy the needs of management, but not all needs, just the key items.

Limiting the number of data items within the process to the vital few mitigates the potential for becoming casualties of our own complexity. Human nature compels us to want more, and for some, more of everything including data. Accordingly, integrating that aspect of human nature with information technology creates a challenge in responding to the issue, how much is enough?

Having a web site that is accessible to users with various background, roles, and needs; having a web site that

is comprehensible to an array of users including technical staff, analysts and all levels of management; and having a web site that supports full financial visibility for total enterprise reporting -- requires a training program that integrates computer technology with financial management so that all users know what they have and how to use it.

DOWNLOAD, MERGE, LINK, AND PUBLISH:

The next step to leveraging technology and improving our business process for reporting is working with DFAS to extract the key data items from the official accounting system. Once the process is in place, the data set, an ASCII/text file, can be extracted when required using file transfer protocol.

Microsoft software supports importing and exporting files from Excel to Access and back to Excel. It allows us to assign delimiters to text files and create data lists. Lists can be merged with local management data in Access and exported as an expanded Excel file containing both accounting and local management data. We have the software to create a pointer file (the expanded file), which can become the backbone for Web based reporting. We can include within the Web based file a series of standard reports needed by management along with the expanded Excel list, which can be analyzed using the Pivot Table. Using the Web and the Pivot Table, we can move from controlling data to sharing information, from preparing reports to performing analysis.

PIVOT TABLE, WHAT IS IT? The Pivot Table is unquestionable one of the most useful software tools available today. It is a new paradigm for analyzing information, a powerful tool for dynamically summarizing a list of data. It uses four boxes to analyze data as shown below. Using this application, we can sort, group, hide, and filter. We can create calculated fields, percentages and a lot more. With a simple click, drag and drop we can analyze 65,000 summary level records without knowing a programming language.

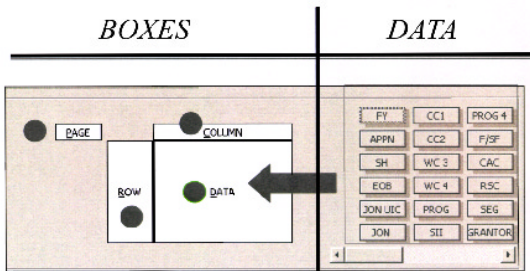
Within a few seconds, we can respond to various questions raised by top-level and mid-level management: How much have I spent? Against what program? Who performed the work? What was purchased and for whom? What and where are the major areas of resource consumption? What is the status of my reimbursables? What funds are not allocated? Who is charging overtime, why, and for what purpose.

What is the status of my reimbursables? What funds are not allocated? Who is charging overtime, why, and for what purpose?

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PIVOT TABLE: *What is it?*



A way to summarize data using four boxes.

Is the Pivot Table the single answer for financial management reporting? No, it is just a very powerful tool that provides a series of snap shots in response to the fundamental question, how are you doing? Moreover, it is an efficient tool for obtaining source data for time-line reporting, for forecasting, and for quickly analyzing the economic health of an organization.

The Pivot Table reports shown below answer the question *How are you doing?* in regards to procurement accounts. By simply dragging and dropping data items, we can analyze what we bought, where we bought it, and for whom.

TRAIN THE USERS: As previously mentioned, having a web site that supports full financial visibility and is accessible and comprehensible to an array of users -- requires a training program that integrates computer technology with financial management so that all users

know what they have and how to use it.

The financial reporting process we can put in place is simple to use via the intranet/extranet. But there is an inherent danger in not knowing how to use the data properly. The danger has more to do with a person's knowledge of financial management and the complexity of data items commonly used within the field of financial management than the electronic technology inextricably intertwined in the process.

Developing a training program for Pivot Table technology is easy. It consists of explaining what a Pivot Table is and why we should use it. Real data is used to create reports and to show users how to sort, hide, rename, rearrange, and group data items. With hands-on training, users learn how to create calculated field and reformat displayed items. Depending on the target audience, this part of the training takes anywhere from one to two hours.

Developing a training program that addresses dragging and dropping data items is more difficult because of the various backgrounds and roles among the users, and because of terms commonly used in financial management. Some users have a strong background with the Navy's Resource Management System (RMS); others have a strong background with the industrial fund system (DBOF). Some terms in both systems are the same; some are different. The term *direct* in the industrial fund system means *reimbursable*. In the RMS it means *mission*, not *reimbursable*. *Cost* has little meaning for those reporting under RMS while *Gross Adjusted Obligations* has little meaning for those reporting under DBOF. Financial Analysts and accountants typically use Execution Codes *010* and *121* when addressing fund authorizations. Managers are not concerned about such unfamiliar terms. What they want to know, and rightfully so, is how much has been authorized and spent for both direct and reimbursable? From a financial reporting aspect, the answer to their question is simple -- providing we know how they are using the terms *direct*, *reimbursable*, and *spent*.

The point is -- some terms used in financial management are inherently confusing and often used indiscriminately. To develop an effective reporting process, we need to be sensitive to this and ensure that our training program adequately addresses each and every data item. Users must know the purpose of each data item, what it means, how it is used, and if it is a calculated field, how it is calculated.

CONCLUSION: According to Gordon R. England, Secretary of the Navy, we need to streamline our business practices and use the modern tools and personnel we already have more effectively. We can do this very easily by integrating key information in our official accounting systems with local informational needs of management and by leveraging the technology we already own. ♦

SH/DESC		Tactical Vehicles		WHAT
APPN/CO		1910		
LPRN/DESC		JO/DESC		Sum of Dr OPT/Sum of Spent GAO
Light Trucks		BUICKS AUTHORIZED		1,010.17
		FORDS AUTHORIZED		1,310.146
		HUMAN CARDS		188.074
		HUMAN CARDS		1,252.384
		HUMAN AMBULANCE		188.985
		JUDY II CREW CAB		231.447
Light Trucks Total		DUPLICATE		1,987.331
		FORDS AUTHORIZED		3,017.7
Medium Trucks		FORDS		7,416.949
		MIDV		6,895.895
		MYTR		1,188.594
Medium Trucks Total		DUPLICATE		7,416.949
Grand Total		DUPLICATE		9,229.297
				9,004.336

SH/DESC		Tactical Vehicles		FOR WHOM
APPN/CO		1910		
LPRN/DESC		Medium Trucks		
Sum of Spent GAO		OPNAV OFF/DESC		= Total
N44		MISSION/CF (CSC)		\$5,899.341
N44		INELUG/CRIM/MAJ/AS/MAJ/N44		\$99.040
N44		AERIO/CA SUPT OFF		\$166.513
N44		SPECIALT & 14-55 N44		\$166.513
Grand Total		DUPLICATE		\$7,231.449

WHERE		WHAT	
A		B	
SH/DESC	Tactical Vehicles		
APPN/CO	1910		
LPRN/DESC	Medium Trucks		
OPNAV OFFICE	N44		
Sum of Spent GAO		Total	
CONTRACT OFFICE			
U.S. ARMY TANK/AUTO COM		\$5,899.341	
Grand Total		\$5,899.341	